

Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 ADP-00 AID-20 CEA-02 CIAE-00 COME-00

EB-11 FRB-02 INR-10 IO-12 NEA-10 NSAE-00 RSC-01

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TAGS: EFIN, OECD

SUBJECT: ADHERENCE OF NEW ZEALAND TO OECD CONVENTION AND TO
OECD CODES OF LIBERALIZATION

REF: (A) OECD 10267

(B) OECD 10389

(C) C(73)60

(D) DAF/ INV/72/66

(E) OECD 18315

(F) OECD 24606

(G) C(73)70

1. SUMMARY. NEW ZEALAND' S PROPOSED ADHERENCE TO OECD
CONVENTION AND OECD LIBERALIZATION CODES WILL BE ACTED
UPON BY COUNCIL IN EARLY MAY. ACTION REQUESTED.
INSTRUCTIONS AUTHORIZING US TO ACCEPT NEW ZEALAND' S
PROPOSED ADHERENCE, BUT TO EXPRESS REGRET THAT NZ
EXCHANGE CONTROLS SUCH THAT IT MUST LODGE LARGE NUMBER
OF RESERVATIONS TO LIBERALIZATION CODES. END SUMMARY.

2. NZ' S APPLICATION FOR MEMBERSHIP IN OECD WILL COME
BEFORE EXCOM MAY 3, AND COUNCIL PROBABLY MAY 15. THIS
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MEANS NZ WILL BE FULL- FLEDGED OECD MEMBER PRIOR TO JUNE MINISTERIAL, PROVIDING ALL GOES WELL (WHICH IS PREDICTED).

3. WE WOULD APPRECIATE FORMAL INSTRUCTIONS FROM DEPT. ALLOWING US TO VOTE IN EXCOM AND COUNCIL IN FAVOR OF NZ' S ADHERENCE TO OECD CONVENTION (I. E., MEMBERSHIP IN OECD) AND TO TWO OECD CODES OF LIBERALIZATION. IN LATTER RESPECT, HOWEVER, WE WOULD LIKE TO BE ABLE ALSO TO EXPRESS SOME REGRET THAT NUMBER OF EXCHANGE CONTROL RESTRICTIONS IN NZ REQUIRES IT TO LODGE SO MANY RESERVATIONS TO OECD CODES LIBERALIZING INVISIBLES AND CAPITAL OPERATIONS.

4. NZ WILL BE LODGING FOUR RESERVATIONS TO INVISIBLES CODE. THREE OF THESE ARE ON INSURANCE ITEMS, WHICH ARE ALREADY HEAVILY RESTRICTED BY OTHER OECD COUNTRIES. PROPOSED NZ RESERVATION ON " PATENTS, DESIGNS, TRADEMARKS AND INVENTORIES" WILL, HOWEVER, GROUP NZ WITH JAPAN AS ONLY OECD COUNTRIES WITH RESERVATION ON THIS CODE ITEM (A/5). WE WOULD LIKE TO BE ABLE TO SAY IN EXCOM AND COUNCIL THAT WE HOPE THIS LATTER RESERVATION WILL BE REMOVED AS SOON AS POSSIBLE, SINCE WE UNDERSTAND RESTRICTIONS ARE PRIMARILY TO SUPPORT REMAINING VESTIGES OF RESTRICTIONS ON MERCHANDISE IMPORTS, AND AS LATTER PHASED OUT, ACCOMPANYING RESTRCTIONS ON TECHNOLOGY SHOULD ALSO BE ELIMINATED.

5. CONCERNING CAPITAL CODE, NZ' S NINE FULL AND SEVEN LIMITED RESERVATIONS INDICATE A VERY RESTRICTIVE ATTITUDE TOWARD FREEDOM OF CAPITAL MOVEMENTS IN GENERAL, DESPITE HIGH IDEALS TO CONTRARY THAT COULD BE IMPLIED BY NZ' S ACCEPTANCE OF " GENERAL PRINCIPLES" OF OECD CONVENTION AND CAPITAL MOVEMENTS CODE. OF COURSE, NZ IS NOT WORST OFFENDER IN THIS RESPECT. WE HAVE ONLY TO RECALL FINLAND' S JOINING IN 1969 WITH NINE RESERVATIONS TO INVISIBLES CODE AND 23 TO CAPITAL CODE. ALSO, TAKING INTO ACCOUNT INTERVENING AMENDMENTS TO CODE, NUMBER OF NZ RESERVATIONS PRACTICALLY SAME AS THAT OF AUSTRALIA WHEN LATTER JOINED OECD IN 1971.

6. NEVERTHELESS, NZ ILLUSTRATES CASE OF COUNTRY WHICH LIMITED OFFICIAL USE

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ON ONE HAND RELIES ON INFLOW OF FOREIGN CAPITAL TO

DEVELOP ITS ECONOMY, BUT ON OTHER HAND MAINTAINS RIGHT TO RESTRICT SUCH INFLOWS, EG., PARA 47, ANNEX I TO C(73)60, LISTS SOME 12 CRITERIA WHICH MAY BE APPLIED BY NZ AUTHORITIES TO INWARD FOREIGN DIRECT INVESTMENTS. SIMILARLY, NZ ILLUSTRATES CASE OF HIGH- INCOME COUNTRY WHICH DEPENDS ON LIBERALIZED CAPITAL OPERATIONS BEING PERMITTED BY OTHERS IN ORDER TO FINANCE ITS OWN MEDIUM- TERM BALANCE OF PAYMENTS POSITION AND ECONOMIC DEVELOPMENT AIMS, BUT DENIES LIBERALIZED ACCESS BY OTHERS TO ITS OWN DOMESTIC CAPITAL MARKET.

7. WE DO NOT THINK IT NECESSARY TO TAKE NZ TO TASK IN ANY DETAIL ON ALL OF THESE MATTERS IN PRESENT CONTEXT OF ITS JOINING OECD, BUT THIS IS OCCASION WHEN WE MIGHT WANT TO EXPRESS: (A) OUR REGRET THAT COUNTRY LIKE NZ PROPOSES SO MANY RESERVATIONS, (B) OUR HOPE THAT SOME OF THEM WILL BE REMOVED IN NEAR FUTURE (ALTHOUGH WE HAVE CERTAINLY NOT BEEN PROMISED MUCH SO FAR) AND (C) OUR GENERAL CONCERN WITH APPARENT LAXITY WITH WHICH OECD MEMBERS APPEAR TO BE TAKING THEIR OBLIGATIONS TO LIBERALIZE CAPITAL MOVEMENTS, AS WITNESSED BOTH BY NUMBER OF RESERVATIONS TO CODES LODGED BY NEW AND OLD MEMBERS ALIKE, AND EXTENT OF REQUESTS BY OTHER (OLDER) MEMBERS TO INVOKE ARTICLE 7(B) DEROGATIONS.

8. CONCERNING ACTS OF ORGANIZATION, NZ PROPOSES (IN STATEMENT CONTAINED IN ANNEX II OF REF G) :
(A) THAT CERTAIN ACTS CONCERNING EMPLOYMENT OF FOREIGN MANPOWER, SAFETY REGULATIONS FOR GAS CYLINDERS AND AIDS TO SHIPBUILDING SHOULD NOT APPLY TO NZ, (B) THAT CERTAIN PROVISIONS OF ACTS RELATING TO IMPORT PROCEDURES, REGULATION AND LABELING OF PHARMACEUTICAL SPECIALTIES, DOUBLE TAXATION AND TOURISM SHOULD NOT APPLY TO NZ, AND (C) THAT NZ SHOULD HAVE THE RIGHT FOR SIX MONTHS TO PROPOSE ADDITIONAL ABSTENTIONS AND THE RIGHT TO REQUEST PARTICIPATION IN CERTAIN PROGRAMS OF COMMON INTEREST TO LIMITED NUMBER OF MEMBERS (I. E., PART II PROGRAMS). POINTS IN (C) ARE SIMILAR TO THOSE CONTAINED IN COMPARABLE AUSTRALIAN STATEMENT IN 1971.
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